

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0624-01  
Bill No.: SB 3  
Subject: Banks & Financial Institutions; Consumer Protection  
Type: Original  
Date: December 18, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 3 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development–Division of Finance and Division of Credit Unions** assume the proposal would have no fiscal impact on their agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

The proposal could have a negative effect on financial institutions classified as small businesses, if they are using the “sum of the digits” method to calculate prepaid interest refunds. The proposal reduces the amount of interest income financial institutions may recognize as earned when calculating refunds due to early loan payoffs.

### DESCRIPTION

This act provides that upon the prepayment of any retail installment contract, premium finance contract, credit life, accident or sickness insurance policy, small loan, or retail credit sale, a refund of prepaid interest must be calculated by the actuarial method. The "sum of the digits" or "rule of 78" method of calculating prepaid interest refunds is prohibited.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Division of Finance  
Division of Credit Unions

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA  
Director  
December 18, 2000